

7 November 2024

**Derwent London plc** (“Derwent London” / “the Group”)  
**THIRD QUARTER BUSINESS UPDATE**  
**ONGOING LEASING MOMENTUM**

**Paul Williams, Chief Executive of Derwent London, said:**

*“Since the start of H2 2024, we have signed £4.5m of new rent, 9.8% ahead of ERV, taking our letting activity for the year to date to £13.3m, 8.5% above ERV. In addition, there is a further £5.7m under offer. With strong occupier demand for high quality buildings in the right locations, we are seeing rental growth across our London villages which supports our upgraded ERV guidance announced in August.*

*We continue to see an attractive, supply-constrained market for our innovative and design-led space. Our on-site projects at 25 Baker Street W1 and Network W1 are progressing well. Capital expenditure in the first three quarters of 2024 was £145m, which includes our next phase of West End schemes, totalling 0.5m sq ft, at Holden House W1, 50 Baker Street W1 and Greencoat & Gordon House SW1. At 50 Baker Street, we were pleased to obtain resolution to grant planning consent in August, which will double the existing floor area.*

*There is increased interest across the investment market and volumes are expected to pick up into 2025. We continue to recycle capital and recently exchanged contracts for the sale of 4 & 10 Pentonville Road N1. We are looking at an increasing number of acquisition opportunities, and are well placed with a strong balance sheet.”*

**Operational highlights**

- £4.5m of new leases in H2 to date, 9.8% ahead of December 2023 ERV, with a 6.4 year WAULT
- £13.3m of leasing activity YTD, 8.5% above December 2023 ERV
- £5.7m of rent under offer
- EPRA vacancy rate down 20bp to 3.0% at Q3

**Developments**

- £145m of project expenditure in the first three quarters of the year
- Two on-site West End projects totalling 0.4m sq ft; 53% pre-let or pre-sold
- Next phase of West End schemes expected to commence from mid-2025, totalling 0.5m sq ft
- Longer-term pipeline extends to 1.1m sq ft from 2027
- Further programme of rolling refurbishments to deliver attractive uplift in rental values

**Financials**

- EPRA LTV 28.9% (30 June 2024: 29.0%)
- Interest cover 4.0 times (30 June 2024: 4.0 times)
- Cash and undrawn facilities of £547m (30 June 2024: £566m)
- Post-Q3, £83m secured debt facility repaid, releasing c.£240m of charged properties

**Webcast and conference call**

There will be a webcast and conference call for investors and analysts at 09.00 GMT today. To participate in the call, please register [here](#).

## Operational update (Appendix 1)

### Leasing activity in 2024 YTD

	Let			Performance against ERV (%)		
	Area '000 sq ft	Income £m pa	WAULT <sup>1</sup> Years	Open market (vs Jun 24)	Open market (vs Dec 23)	Overall <sup>2</sup> (vs Dec 23)
H1	138.9	8.8	7.3	-	10.3	7.8
H2 to date	78.0	4.5	6.4	10.2	10.5	9.8
<b>Total to date</b>	<b>216.9</b>	<b>13.3</b>	<b>6.9</b>	<b>-</b>	<b>10.4</b>	<b>8.5</b>

<sup>1</sup> Weighted average unexpired lease term (to break).

<sup>2</sup> Includes short-term lettings at properties earmarked for redevelopment

Key leasing transactions in H2 include:

- 1-2 Stephen Street W1 – As an example of our proactive asset management, we have relocated Envy Post Production from Holden House W1 ahead of its redevelopment; they have pre-let 19,200 sq ft on a 15-year term (break at year 10) at a rent of £1.2m, 13% above June 2024 ERV;
- One Oxford Street W1 – The retail units are now fully leased, with Kiko and Aldo taking the remaining two units (totalling 5,600 sq ft) on 10-year leases (break at year 6) for a combined rent of £1.0m, 11.8% above ERV; and
- The Featherstone Building EC1 – Wiz Cloud has leased 5,800 sq ft, on a 'Furnished + Flexible' basis, for three years (break at year 2), at a rent of £0.5m, 5.2% ahead of ERV.

The Group's EPRA vacancy rate at Q3 was 3.0% (June 2024: 3.2%; December 2023: 4.0%).

In addition, there is £5.7m of rent under offer. This includes an agreement for lease on 76,900 sq ft of pavilion and lower floors at The White Chapel Building E1, completion of which would increase occupancy at the building to over 90% by ERV. The letting is conditional on receipt of planning permission, which is expected shortly.

Rent and service charge collections remain high at 99% to date for the September quarter day.

### Developments (Appendix 2)

Our extensive pipeline will provide best in class, amenity-rich space in core West End sub-markets with limited competing supply and good occupier demand. Our longer-term pipeline extends to an additional 1.1m sq ft. Additionally, we have a number of rolling refurbishments which we expect will deliver an attractive uplift in rental values, while ensuring we remain compliant with evolving EPC legislation. 70% of our London commercial portfolio, including on-site projects, is EPC 'A' or 'B', rising to 87% for buildings rated EPC 'C' and above.

#### On-site projects (0.4m sq ft)

- 25 Baker Street W1 (298,000 sq ft) – The office element of this best-in-class mixed-use project, which is scheduled to complete in H1 2025, is 84% pre-let with a combined rent of £17.4m (net of ground rent) at an average headline rate of £103.20 psf, 15% above the appraisal ERV. There is good interest in the remaining space. Retailer engagement is strong following the launch of the retail element. Contracts have been exchanged on a further two residential units in H2, taking total sales to date to £74.9m across 15 units.
- Network W1 (139,000 sq ft) – We are encouraged by occupier demand at this high quality, amenity-rich and sustainable building in the supply-constrained Fitzrovia sub-market. Completion is scheduled for H2 2025.

### *Next phase of pipeline (0.5m sq ft)*

- Holden House W1 (c.150,000 sq ft) – Design stage 3 being finalised; construction scheduled to commence in mid-H2 2025;
- 50 Baker Street W1 (c.240,000 sq ft; 50:50 JV with Lazari) – Following receipt of resolution to grant planning consent in August, forecast commencement is H1 2026; and
- Greencoat & Gordon House SW1 (107,800 sq ft) – Comprehensive refurbishment of office space expected to commence in H1 2026.

### **Finance**

Net debt increased marginally to £1.39bn at 30 September 2024 from £1.37bn at 30 June 2024. The increase is primarily due to project expenditure of £145m offset by retained cash from operations. The interim dividend of 25.0p per share was paid in October and we also repaid the £83m 3.99% secured loan which resulted in the release of c.£240m of charged properties. This increases the value of unsecured properties to £4.4bn, based on June 2024 valuations.

The EPRA LTV ratio was broadly unchanged in Q3 at 28.9% (including share of joint ventures) based on 30 June 2024 valuations. Interest cover for the nine months to 30 September was unchanged from June 2024 at 4.0 times and cash and undrawn facilities totalled £547m at the end of the quarter.

The Group's exposure to interest rate movements remains very low with 95% of drawn debt either fixed or hedged. The weighted average interest rate at the end of Q3 was 3.23% on a cash basis.

### **Disposals (Appendix 3)**

In October, contracts were exchanged for the sale of the recently vacated freehold 4 & 10 Pentonville Road N1 to an owner-occupier. Completion is expected in January 2025. The disposal price of £26.0m reflects a 3% discount to the June 2024 book value.

### **Sustainability**

Following planning permission and survey work, we are now on site and delivering the initial phase of infrastructure at our Lochfaulds solar park. Completion and delivery of the project is anticipated for H1 2026.

We are pleased to have maintained our GRESB score with a 5-star rating (97/100) for developments and a 4-star rating (84/100) for standing assets. This ongoing strong performance recognises our commitment to reducing energy usage across our managed portfolio and managing down the embodied carbon footprint of our regeneration projects.

### **For further information, please contact:**

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## Appendix 1: Principal lettings in 2024 YTD

Property	Tenant	Area sq ft	Rent £ psf	Total annual rent £m	Lease term Years	Lease break Year	Rent free equivalent Months
<b>H1</b>							
25 Baker Street W1	Cushman & Wakefield	17,100	107.50	1.8	15	-	34
The White Chapel Building E1	Pay UK	27,000	52.50	1.4	10	5	22, plus 5 if no break
The White Chapel Building E1	PLP Architecture	22,300	50.00	1.1	10	-	24
The White Chapel Building E1	Breast Cancer Now	14,700	51.00	0.8	10	5	20, plus 10 if no break
The Featherstone Building EC1	incident.io <sup>1</sup>	6,900	86.70	0.6	2	-	1
Tea Building E1	Buttermilk <sup>1</sup>	7,300	66.50	0.5	4	3	2, plus 2 if no break
One Oxford Street W1	Starbucks	4,200	98.10	0.4	15	10	12
230 Blackfriars Road SE1	Hello! Magazine <sup>1</sup>	7,300	52.50	0.4	5.5	-	14
<b>H2 to date</b>							
1-2 Stephen Street W1	Envy	19,200	61.00	1.2	15	10	24, plus 12 if no break
The Featherstone Building EC1	Wiz Cloud <sup>1</sup>	5,800	89.50	0.5	3	2	-
One Oxford Street W1	Kiko Milano	2,900	168.50	0.5	10	6	12
One Oxford Street W1	Aldo	2,700	169.70	0.5	10	6	14
Tea Building E1	Cleo AI	6,900	65.00	0.5	1	-	-
230 Blackfriars Road SE1	Instant Offices	7,300	44.00	0.3	5.3	3	14
Strathkelvin Retail Park, Glasgow	Aldi	21,600	15.00	0.3	20	-	9

<sup>1</sup> Space leased on a 'Furnished + Flexible' basis

## Appendix 2: Major on-site development pipeline

Project	Total	25 Baker Street W1	Network W1
Completion		H1 2025	H2 2025
Office (sq ft)	352,000	218,000	134,000
Residential (sq ft)	52,000	52,000	-
Retail (sq ft)	33,000	28,000	5,000
<b>Total area (sq ft)</b>	<b>437,000</b>	<b>298,000</b>	<b>139,000</b>

## Appendix 3: Major disposals in 2024 YTD

Property	Date	Area sq ft	Gross proceeds £m	Net yield %	Net rental income £m pa
Turnmill EC1	Q2	70,300	77.4	4.9	4.0
4 & 10 Pentonville Road N1	Q4 <sup>1</sup>	54,800	26.0	-	-

<sup>1</sup> Exchange of contracts only; completion expected in January 2025

## **Notes to editors**

### **Derwent London plc**

Derwent London plc owns 63 buildings in a commercial real estate portfolio predominantly in central London valued at £4.8 billion as at 30 June 2024, making it the largest London office-focused real estate investment trust (REIT).

Our experienced team has a long track record of creating value throughout the property cycle by regenerating our buildings via redevelopment or refurbishment, effective asset management and capital recycling. We typically acquire central London properties off-market with low capital values and modest rents in improving locations, most of which are either in the West End or the Tech Belt. We capitalise on the unique qualities of each of our properties – taking a fresh approach to the regeneration of every building with a focus on anticipating tenant requirements and an emphasis on design. Reflecting and supporting our long-term success, the business has a strong balance sheet with modest leverage, a robust income stream and flexible financing.

We are frequently recognised in industry awards for the quality, design and innovation of our projects. Landmark buildings in our 5.3 million sq ft portfolio include 1 Soho Place W1, 80 Charlotte Street W1, Brunel Building W2, White Collar Factory EC1, Angel Building EC1, 1-2 Stephen Street W1, Horseferry House SW1 and Tea Building E1.

As part of our commitment to lead the industry in mitigating climate change, Derwent London has committed to becoming a net zero carbon business by 2030, publishing its pathway to achieving this goal in July 2020. Our science-based carbon targets validated by the Science Based Targets initiative (SBTi). In 2013 the Company launched a voluntary Community Fund which has to date supported over 160 community projects in the West End and the Tech Belt.

The Company is a public limited company, which is listed on the London Stock Exchange and incorporated and domiciled in the UK. The address of its registered office is 25 Savile Row, London, W1S 2ER.

For further information see [www.derwentlondon.com](http://www.derwentlondon.com) or follow us on [LinkedIn](#)

### **Forward-looking statements**

This document contains certain forward-looking statements about the future outlook of Derwent London. By their nature, any statements about future outlook involve risk and uncertainty because they relate to events and depend on circumstances that may or may not occur in the future. Actual results, performance or outcomes may differ materially from any results, performance or outcomes expressed or implied by such forward-looking statements.

No representation or warranty is given in relation to any forward-looking statements made by Derwent London, including as to their completeness or accuracy. Derwent London does not undertake to update any forward-looking statements whether as a result of new information, future events or otherwise. Nothing in this announcement should be construed as a profit forecast.